

**APPROPRIATION-ONLY-BACKED  
SPECIAL FUND REVENUE CRITERIA**  
Amended as of March 21, 2023



The criteria herein are intended to apply to appropriation-only-backed special fund revenue financings of \$50 million or less where no pledge of project or enterprise fund revenues or real estate collateral is offered as part of the loan security. The security and source of payment for the loan will be (i) annual appropriations into a special fund pledged for debt service and (ii) state-aid intercept. These loans must be made directly to the county, city or town (for example, not to an industrial development authority or economic development authority). Any single loan request above \$50 million or any loan request, which when combined with any existing special fund revenue pledge exposure to any one local government borrower would exceed \$50 million, will require PRMC and VRA Board approval.

Guiding Principles

**Rating Requirement:** Local Borrowers seeking to obtain an appropriation-only-backed special revenue fund loan must maintain an underlying general obligation or long-term issuer credit rating of 'Aa2 / AA' from Moody's and Standard & Poor's, respectively. Moreover, unless VRA has determined that the facilities being financed are essential purpose facilities, the local borrower must have other outstanding moral obligation/appropriation backed debt with an underlying moral obligation / appropriation credit rating no less than 'Aa3 / AA-' from Moody's and Standard & Poor's, respectively.

**State-Aid Coverage Requirement:** The Local Borrower must demonstrate that the lowest level of state-aid received in the previous five fiscal years has been not less than 200% of the maximum annual future debt service, including any general obligation debt or other debt of the Local Borrower subject to any state aid intercept provisions and taking into account issuance of the proposed debt and any other tax supported debt planned by the Local Borrower during the next succeeding five year period.

**Borrower Concentration:** Where the total existing or proposed debt exposure to any one local government borrower rises to a level where the locality becomes a Material Obligor, as defined in the appropriate VRA program documentation, or such other lesser amount that could impact the existing public debt ratings of a VRA loan program, the Executive Director shall seek PRMC and Board approval prior to authorization of any new debt exposure.

**Credit Evaluation Criteria:** The requested borrowing shall be considered and reviewed in context of its impact on the Local Borrower's future budgets, tax rates and debt ratios with respect to VRA's Tax Supported Evaluation Criteria including but not limited to:

- Debt Service versus Expenditures;
- Debt Payout Ratio;
- Total Debt versus Total Valuation; and

- Fund Balance versus Total Revenues.

In addition to the rating requirement, state-aid coverage requirement, and borrower concentration criteria listed above, a Local Borrower must demonstrate a debt service versus expenditures ratio and a total debt versus total valuation ratio in the 'strong' category and an unassigned fund balance to total revenues ratio in the 'adequate' category under VRA's Tax Supported Evaluation Criteria to receive credit approval for an appropriation-only-backed special fund revenue security pledge.